

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 DODE-00 PA-01 PRS-01 /080 W

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R 192220Z SEP 75

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 5176

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

PANCANAL

USSOUTHCOM

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GUATEMALA PASS ROCAP

E.O. 11652: N/A

TAGS: ECON, PN

SUBJECT: PLANNING MINISTER SEES BEGINNING OF RECOVERY FROM
ECONOMIC "SEMI-RECESSION"

1. IN ADDRESSING RECENT SESSION OF INFLUENTIAL GROUP OF BUSI-
NESS EXECUTIVES (APEDE) AND AGAIN IN LOCAL TELEVISION INTERVIEW
EARLIER THIS WEEK, PLANNING MINISTER (AND CHIEF GOP ECONOMIC
SPOKESMAN) BARLETTA HAS STRESSED HIS VIEW THAT PANAMA'S ECONO-
MIC SLUP HAS BOTTOMED OUT AND THAT RECOVERY WILL NOW BEGIN,
ALTHOUGH SLOWLY. A DECREASE IN INFLATION RATE IS CITED AS
MOST POSITIVE INDICATOR (LATEST MONTHLY INCREASE IN LOCAL CON-
SUMER PRICE INDEX WAS LESS THAN 0.5 PERCENT), ALTHOUGH MOST RECENT
FIGURES ALSO SHOW AN INCREASE IN UNEMPLOYMENT (FROM 5.5 TO 6.3
PERCENT OVERALL). BARLETTA HAS EMPHASIZED THE EXTERNAL FACOTRS
(IMPORTED INFLATION AND WORLD-WIDE ECONOMIC DOWNTURN) WHICH
BROUGHT ABOUT WHAT HE TERMS PANAMA'S SEMI-RECESSION--HE POINTS
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OUT THAT COUNTRY'S

REAL GROWTH RATE, WHILE DROPPING, IS STILL POSITIVE.
IN RESPONSE TO QUESTION FROM TV INTERVIEWER ABOUT WORRIES OVER
GROWING PUBLIC DEBT, HE STRESSED POSITIVE ROLE GOVERNMENT INVEST-
MENT BUDGET WOULD CONTINUE TO HAVE IN INCREASING EMPLOYMENT AND
PRODUCTIVE CAPACITY, E.G. HYDROELECTRIC PROJECTS, PORTS, SUGAR
MILLS, THUS CONTRIBUTING TO RECOVERY. HE MAINTAINED THAT DEBT
REMAINED MANAGEABLE AS LONG AS CREDITS OBTAINED WERE USED FOR
VERY PRODUCTIVE PURPOSES. MINISTER WAS ALSO ASKED WHAT EFFECT, IF
ANY, UNCERTAINTY REGARDING CANAL TREATY NEGOTIATIONS HAS HAD ON
PANAMANIAN ECONOMY. HE SAID HE DID NOT BELIEVE THAT THE NEGOTIA-
TING PROCESS HAS HAD ANY UNFAVORABLE EFFECTS ON THE NATIONAL
ECONOMY NOR WAS IT HIS IMPRESSION NOW THAT IT AFFECTS LOCAL
INVESTMENT CLIMATE.

2. COMMENT BARLETTA IS EXPECTED TO CONTINUE HIS EFFORTS TO
BOLSTER LAGGING CONFIDENCE OF BUSINESS COMMUNITY, WHICH FOR THE
MOST PART DOES NOT APPEAR TO HAVE YET CAUGHT SIGHT OF ENCOURAGING
SIGNS POINTING TOWARD RECOVERY. DURING APEDE SESSION BARLETTA
EXPRESSED SYMPATHY WITH ONE OF BUSINESSMENT'S MAJOR TENETS, NEED
FOR IMPORVED COMMUNICATIONS/CONSULTATIONS BETWEEN PRIVATE AND
PUBLIC SECTORS, AND PROMISED ALSO, AS HEAD OF NATIONAL BANKING COM-
MISSION, TO BRING BANKERS AND BUSINESS LEADERS TOGETHER IN EFFORT
TO FACILITATE AN EXPANSION OF LOCAL CREDIT.

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